

## **Chapter 5: Realizing the ordolegal needs of epistemic communities: situating intellectual property in contemporary international investment protection**

### **1. Chapter introduction**

In this chapter (and the next) the notion of intellectual property investments is introduced and will be shown how this phenomenon contributes to the ordolegal culture of privatization in international law. This chapter, however, establishes the framework for how epistemic communities realises the ordolegal vision. The chapter takes an initial overview and evolutionary approach to intellectual property investments and then develop three core arguments. The first, is that compensations for breaches of private rights are a factor of public international law, and secondly, that a **background theory** helps to situate epistemic communities in intellectual property arbitration, and thirdly, provides an account on the necessity of international private law analogies and its relation to intellectual property arbitration. The arguments, in this chapter, also sets the foundation for the following chapter that focuses exclusively on the principle of fair and equitable treatment in intellectual property arbitration as a key factor in the narrative on the ordolegal culture of privatization.

### **2. A contextual overview**

The growing phenomenon of intellectual property rights disputes as investments in investor-state dispute settlements has raised complex and **amorphous questions** relating to objectivity, procedural and the public international law character of private rights in adjudication.

The complexities are further exacerbated by the fact that the growing number of intellectual property epistemic communities' participation in the international adjudication process have increased. This was

evident in the *Philip Morris Arbitration* (2016)<sup>1</sup> where several intellectual property epistemic communities were relied upon to provide assessment of the international law of trademarks.

This development should not be surprising giving that international tribunals often calls upon expert witnesses during deliberations or, as I discussed in the previous chapter, the participation of intellectual property epistemic communities in the global rulemaking process of international intellectual property treaties only warrant that, the next natural step, is for them to engage in the adjudicatory process.

Off course, it is also natural to assert that the rise of global economic governance and the role of the intellectual property regime have created avenues for the increase role of epistemic communities in the adjudicatory process. Hence, it may very well be, that, the same participants in the rulemaking process of international intellectual property treaties see themselves, fit and capable, to also intervened, or at least, be called upon to interpret those same treaties whenever a dispute arise.

For some experts, they are only knowledge producers in the global production of norms and rules specifically for intellectual property, and for others, they represent how their constituent clients – private economic actor such as a pharmaceutical or tobacco company – see the global rule system on intellectual property rights.

Other epistemic communities, such as legal scholars, may be versatile, in both the application and interpretation of international private law rules on intellectual property, or, how treaties should be interpreted within public international law. At the far end of the spectrum, other epistemic communities, may be knowledge creators or advance the domestic interest of a state that is party to an adjudication.

Nevertheless, due to the wide degree of complexities that may exist in how global economic governance should be coordinated, and the relevant role of public international law to such coordination in response to the importance and expansion of intellectual property rights, situating this complex phenomenon under a new branch of international law may not address current and future challenges.

Rather, it is important to examine the legal causes and procedural aspects that exist in order to determine how the “culture of privatization” is important to public international law. Thus, despite the existence of BITS or international intellectual property rights – those rules are only supplementary to international law, and in this regard, it is important to retain the parameters of international law as the higher applicable

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<sup>1</sup> *Philip Morris Brands Sarl, Philip Morris Products SA and Abal Hermanos SA v Oriental Republic of Uruguay*, ICSID Case No ARB/10/7, Award (8 July 2016).

norms in intellectual property investment disputes and demonstrate how the international private law of intellectual property fit into that paradigm or take advantage of it for the purposes of achieving results that are favourable to private economic interests.

Some international treaties such as the WTO DSU confirms that the “higher norms” of international law are applicable to disputes in order to provide ‘security and predictability’ of the global trading system.<sup>2</sup> Thus, according to Article 3.2 of the DSU the WTO agreements are to be interpreted ‘in accordance with customary rules of interpretation of public international law’. Hence, my concern for the international law of intellectual property investments in investor state dispute settlements are similar – they, are to be seen, in what, I refer to, as the “higher norms” of international law, and hence be interpreted in accordance with the rules of interpretation of public international law.

The obvious benefit of this approach is that ISDS disputes help to maintain the security and predictability of international law. The attractive features of the security and predictability principle principle of international are, that, it echoes with the legal certainty arguments I addressed in the previous chapter, but more importantly, the security and predictability principle can unify the approach of interpretation to intellectual property investments and the corresponding international intellectual property instruments. In other words, the security and predictability help to advance a *systemic function* of international law where the main rules of intellectual property *establish a linear and nonconflicting pattern* on how they interact with public international law.

The critics of ISDS disputes are easily convinced that ISDS arbitration lacks legitimacy in international law and even more so, when the process, submissions and private experts are secret, or, the private experts do not necessarily represent the (a) the legitimacy of international law, or (b) they are merely positing the views of strong financial backers who, in any event, will secure the outcome they desire. Thus, these concerns about legitimacy and the participation of epistemic communities in ISDS disputes on intellectual property investments, the critics would say, undermines the proper scope and function of international law.

Although, to some extent, these are valid concerns, especially, when a sovereign state ends up on the losing side of ISDS to private interests, they should not be the end of the story. Therefore, I want to use

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<sup>2</sup> *Agreement Establishing the WTO*, Annex 2 Understanding on Rules and Procedures Governing the Settlement of Disputes, Article 3.2.

this chapter to engage in that debate by giving an analytical account of how to situate intellectual property in contemporary investment protection.

To do that, I advance two arguments in this chapter: the first is that I contend that the international private law rules of intellectual property supports a systemic function of international law concerning investments (section 2) and that, those international private law rules on intellectual property, are consistent with a linear and nonconflicting pattern of the interpretation of international law (section 4). Prior to, and after these discussions in the chapter, I establish background evidentiary discussion on the evolution of international investment law and arbitration in particular as it relates to intellectual property, and also an analysis of the arguments in the chapter.

One of the primary aim of these discussions in this chapter is to address the question of security and predictability as mentioned above. But more importantly, the chapter also demonstrate that the participation of epistemic communities in intellectual property investment arbitration are concerned about legal certainty. Therefore, an objective interaction of intellectual property and international law even when that interaction points to the privatization of public international law is necessary.

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The interaction of intellectual property rights in international law, even when treaties on intellectual property, are correctly interpreted, in light of customary international law, and the modern law of treaty interpretation via the Vienna Convention on the Law of Treaties (VCLT), supported by other procedural and participatory processes, is a signal how relevant the systemic function of international law is and how that function engulfs international private law aspects of intellectual property.

Thus, on many occasions, intellectual property scholars may point to the private ordering<sup>3</sup> of intellectual property in international law, the transnational role of intellectual property norms or, as, I have done, on other occasions, the privatization of international law, seen from the perspective of *conflict of law* rules.<sup>4</sup> Thus, the security and predictability issue is not only for intellectual property epistemic communities, it goes well beyond the narrowly defined self-interests of private actors and experts in intellectual property investment arbitration, but a discussion which explicate its intricacies may help to better understand how,

<sup>3</sup> Private ordering encompasses 'the sharing of regulatory authority with private actors', and generally, has a strong affinity with discussions in intellectual property. See also, Steven Schwarcz, 'Private Ordering' (2002) 97 Northwestern University Law Review 319, 319; Jennifer Rothman, 'Copyright's Private Ordering and the "Next Great Copyright Act"', (2014) 29 Berkeley Technology Law Journal 1595; Jorge Contreras and Meredith Jacob (eds), *Patent Pledges: Global Perspectives on Patent Law's Private Ordering Frontier* (Edward Elgar 2017).

<sup>4</sup> See eg P. Sean Morris, 'To What Extent do Intellectual Property Rights Drive the Nature of Private International Law in the Era of Globalism?' (2019) 28 *Iowa Journal of Transnational Law and Contemporary Problems* 421.

and to what extent, the systemic function of law international law is likely to reinforce the security and predictability principle.

### 3. The phenomenon of investment arbitration: an evolutionary note since NAFTA

It is always a rich experience to construct a narrative on the evolution and history of international investment arbitration. There are many starting points – and even if one starting point is not satisfactory there is always the possibility to go further in time. Thus, historical narratives, no matter the methodological approach taken often raise more questions and generally leads to the “big bang”. That is not my intention in this section of the chapter, rather, I will address the historical evolution of international investment arbitration since the original NAFTA of 1994.<sup>5</sup>

This starting period is important, as it was, the first major agreement since the fall of the Berlin wall that incorporates ISDS arbitration. Furthermore, since the NAFTA, there has been an explosion in bilateral investment treaties that continues to shape the evolution of international investment arbitration. So, in a sense, the history of international investment arbitration is still in progress.

Naturally, there is a great deal of works that explores the historical evolution of investment arbitration that points to various starting points such as the late nineteenth century and early twentieth century claims commissions; the numbers of treaties on Friendships, Commerce and Navigation (FCNs) that were prevalent up to the 1950s; the emergence of the first BIT between Germany and Pakistan; the rise of BITS in the 1960s – 1980s; and the exponential expansion of BITs in the post-Communist era.<sup>6</sup>

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<sup>5</sup> *North American Free Trade Agreement Between the Government of Canada, the United Mexican States and the Government of the United States*, 17 December 1992 (entered into force 1 January 1994).

<sup>6</sup> For discussions on some of these narratives see eg, Kate Miles, *The Origins of International Investment Law: Empire, Environment and the Safeguarding of Capital* (CUP 2013); MS Bergman, ‘Bilateral Investment Protection Treaties: An Examination of the Evolution and Significance of the U.S. Prototype Treaty’ (1983) 16 *NYU Journal of International Law and Politics* 1; D Blumenwitz, ‘Treaties of Friendship Commerce and Navigation’ in R Bernhardt (ed) *Encyclopaedia of Public International Law* (1992); JW Salacuse, ‘BIT by BIT: The Growth of Bilateral Investment Treaties and their Impact on Foreign Direct Investment in Developing Countries’ (1990) 24 *International Lawyer* 655; H Neufeld, *The International Protection of Private Creditors from the Treaties of Westphalia to the Congress of Vienna (1648 – 1815)* (Leyden: AW Sijthoff 1971); Thomas Brewer and Stephen Young, *The Multilateral Investment System and Multinational Enterprises* (OUP 1998); Kenneth Vandevelde, ‘A Brief History of International Investment Agreements’ (2005) 12 *University of California Law Review* 157; Stephan Schill, Christian Tams, and Rainer Hofmann (eds), *International Investment Law and History* (Edward Elgar 2018).

Vandervelde, for example, in his historical treatment of international investment agreements has captured their evolution in three periods: ‘the colonial era’; the post-colonial era’ and the ‘global era’ and acknowledge that ‘the great majority having been concluded since 1990,’<sup>7</sup> a period, which, this chapter, endorses as the post-communist rise of private capitalism. This means that corporations and private economic interests engaged in the practice and participation of public international law as tools of international private law interests most effectively since the 1990s.

Hence, it was in the post 1990 era that the global economic system was transformed due to the formation of the WTO,<sup>8</sup> the rise of multilateral and bilateral investment agreements to include the NAFTA in 1994 and other trade agreements with provisions for ISDS arbitration. For example, under the NAFTA ISDS arbitration (Chapter eleven) an intellectual property rights owner can make claims against a state regarding that state obligations under NAFTA for intellectual property rights. This was the scenario in *Eli Lilly v Canada*<sup>9</sup> over patents when, Eli Lilly made an unsuccessful claim against Canada for violating its NAFTA obligations.

As will be shown later in this chapter – the existence of intellectual property investment claims raises questions on the systemic function of international law and therefore concretises my justification for selecting the post-Communist or NAFTA era as the starting point to examine the history and emergence of investment arbitration.

Since the entry into force of NAFTA in 1994 the number of bilateral investment treaties and other trade and investment treaties with provisions for investment arbitration have grown exponentially.<sup>10</sup> Over the

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<sup>7</sup> *ibid*, 157.

<sup>8</sup> It is important to note that, some BITS in the post-WTO era, explicitly mention that international intellectual property obligations contained in other agreements such as the TRIPs should not be interpreted in ways that would undermine those agreements. A good example is, Clause 1 of the *Protocol to the 1998 Japan/Pakistan BIT* which reads: ‘Nothing in the Agreement shall be construed so as to derogate from the rights and obligations under international agreements in respect of protection of intellectual property rights to which they are parties, including Agreement on Trade-Related Aspects of Intellectual Property Rights, Annex 1C of Marrakesh Agreement Establishing the World Trade Organization, and other treaties concluded under the auspices of the World Intellectual Property Organization’.

<sup>9</sup> *Eli Lilly and Company v The Government of Canada*, ICSID Case No.UNCT/14/2, Award, 16 March 2017. The proceedings were initiated in 2013 by Eli Lilly under NAFTA Chapter 11 claiming damages for patents that were invalidated by the Canadian courts and the final award was issued on 16 March 2017 where the tribunal dismissed the claims against Canada. The dispute was one of the most high profile regarding ISDS and intellectual property following similar disputes concerning Philip Morris and Australia and Uruguay. These latter two are discussed in chapter six below.

<sup>10</sup> As early as 2000, the UNCTAD was already bringing attention, to the fact that, BITs in the 1990s quintupled, see ‘Bilateral Investment Treaties Quintupled During the 1990s’ UNTACD, TAD/INF/PR/077, 15 December 2000.

period 1996 – 2014 the number of BITS have grown on an average of one per year,<sup>11</sup> and currently the number of BITS in force is estimated to more than three-thousand.<sup>12</sup> Equally, all BITS and or “super-BITS” have provisions for investment arbitration, and as such, there is an increase in the number of arbitration disputes that essentially reshaped how international law has been used and or interpreted in investment arbitration.<sup>13</sup>

Within NAFTA, *Eli Lilly* was one of the most significant for intellectual property – as it pertained to patents and questions to whether a state can violate its international obligations for the protection of patents. But in general, the issue of intellectual property in BITS are not covered as substantial when compared to recent “super-BITS” such as the *US – Australia FTA*. For some BITS, intellectual property had no substantial reference to the protection of intellectual property except general clauses that often reads that for the ‘purposes of this Agreement’, the notion of investment broadly covers, among other things, ‘rights in the field of intellectual property, technical processes, goodwill and know-how’.<sup>14</sup> But, as will be later shown, what is important is whether or not intellectual property rights are seen as “investments” and how the principle of fair and equitable treatment is applied to such investments, and in addition, neither the old style BITS or the new generation BITS have not changed how intellectual property protection are spelled out.

The only notable development in the protection of intellectual property rights as investments was not in BITS, but in super-BITS such as the *US – Australia FTA* and multilateral trade and investment agreement such as the TPP – that was signed by a number of states – and later abandoned by the US. The TPP had the most substantial provisions on the protection of intellectual property rights that would have grounded firmly in international legal relations the importance and substance of intellectual property rights under investment arbitration.

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<sup>11</sup> This claim is based on using the BITS database of the ICSID, where the years 1996 – 2014 were used as gauge, the database is available at <https://icsid.worldbank.org/en/Pages/resources/Bilateral-Investment-Treaties-Database.aspx>

<sup>12</sup> The current figures are estimated at 3500, up from the estimated 2,500 of 2007. On the latter figure see UNCTAD, *Bilateral Investment Treaties 1995 – 2006: Trends in Investment Rulemaking* (Geneva 2007); Todd Allee and Clint Peinhardt, ‘Delegating Differences: Bilateral Investment Treaties and Bargaining Over Dispute Resolution Provisions’ (2010) 54 *International Studies Quarterly* 1. See also, UNCTAD, *World Investment Report 2016: Investor Nationality: Policy Challenges*, UN Doc. UNCTAD/WIR/2016, 22 June 2016, p. 101 noting the existence of 2,946 BITS in 2016, and some 358 other treaties with investment provisions.

<sup>13</sup> See also Alison Giest, ‘Interpreting Public Interest Provisions in International Investment Treaties’ (2017) 18 *Chicago Journal of International Law* 321, 323, noting that in 2014, there were 500 formal disputes between investors and states.

<sup>14</sup> See Article 1, *The Netherlands Model BIT (1997)*. In Annex A below I set out a partial coverage of intellectual property in BITS via a schematic table.

But there are lessons in the historical evolution of BITS for how the level of protection of intellectual property rights that was designed for the TPP. Those lessons are essentially how, and still remains, that it is the industrial West (the US, the EU and to an extent Japan) drives world trade, or were at some point, colonial masters and holds significant leverage over countries that are not so capital intensive. And in this regard, as Kate Miles explains ‘legal principles were developed and used by capital-exporting states to legitimise their often repressive actions in acquiring commercial advantages and protecting property’.<sup>15</sup> Under such circumstances, we have to deduce that “property” also covers intellectual property rights and associated intangibles.

But perhaps the underlying argument to justify evolution of investment arbitration through a historical lens from the post-Communist/NAFTA era is the expansion of capitalism. This era represents the new global system of economic governance and the expansion of trade and investments as activities in international law to fill the lacuna that was once occupied by the cold war.

Although, it is fair to argue that international human rights and or environmental legal activities also helped to plug the gap to account for the relevance of international law in the post-cold war era, those are not the concern here. The major capitalist states in the post-cold war era saw an opportunity to legitimize private property rights on a global scale that eluded them during the cold war – and the regimes of trade and investments were the vehicles to metabolize private rights in international law.

The TRIPs Agreement was only one process of this metabolism, which, in fact, was a safeguard tool, because, the TRIPs Agreement never caught the imagination of all the states in the WTO – it became ineffective and efforts were turned to BITs (and more recently super-BITS) to create changes and reenergise international law as the ‘living law’ of private rights. Property and all its application in the broadest sense – to include intellectual property – became the new empire of sovereignty.

The private property system in international legal relations became a matter of how far epistemic communities could go to use state sovereignty to exert on other states private sovereignty that amass all the tools of international law to justify its growth, expansion and “rights” to investment. Those rights to investment include the “appropriation” of the host-state sovereignty, through binding clauses on investment arbitration, that effectively, are detrimental to host-states during arbitration. Moreover,

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<sup>15</sup> Miles, (n 6) 32. See also, Felix O. Okpe, ‘A Historical Account of the Internationalization of Investment Disputes: What the Global South Should Know When Negotiating Bilateral Investment Treaties’ (2017) 12 Florida AMU Law Review 216, arguing that countries in the Global South should insert in BITS clauses that meets their expectations.



private rights, as now protected by international law were now the interests of private investors who use private law remedies to apply to international law.

In a historical sense, such predictions were already made in the 1920s, when FCNs were still relevant before they served as the forerunner to BITs. For instance, Lauterpacht observed: ‘there is nothing in the interests protected by international law which is fundamentally different from those protected by [...] private law’.<sup>16</sup> It is this same thought that permeated the 1990s and the 2000s during the rise of BITs and super trade agreements that have been largely promoted by various capitalist intensive states and their proxies, often camouflaged, as multinational corporations. And in typical colonial fashion, BITs are targeted at states in the former colonial belt that are rich in natural resources whilst private foreign investors deploy the language of “economic benefits and development”. For the most part, the BITs were based on a model agreement that captures all the essentials to provide the international legal certainty to foreign investors who were sceptical of the rule of law in host states, and in most cases, the inclusion of intellectual property protection, was just a blanket phrase devoid of substance and meaning, but legally, created obligations under international law for host states.

For the most part, the BITS that were signed prior to the 1990s were mostly for decorative process under international legal relations, in that, their purpose was to demonstrate how much the host states are active participants in international law, or, can commit to international legal obligations. This was evident from the fact the ICSID Convention of 1969 played no major role in international law during much of the remainder of the cold war since it was singled.

But that all changed when capitalism was crowned triumphant in the wake of the collapse of the Soviet Union in 1991 and BITs were given a new lease of life – the tools of the private system of property rights in international legal relations. After the entry into force of the WTO and NAFTA agreements BITs became fashionable and they were being concluded at a speed greater than the amount of treaties concluded during the cold war from 1969 – 1990. For instance, the BIT between Canada and the former Soviet satellite state of Czechoslovakia was concluded in 1990, the same year a number of Western European signed similar agreements with Czechoslovakia.

Furthermore, the ICSID tribunals would become the new world court that has the powers to interpret the private system of property rights between host-states and private foreign investors. By the time the raw

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<sup>16</sup> Hersch Lauterpacht, *Private Law Sources and Analogies of International Law*, 72.

strength of how private investors deploy international law to the detriment of sovereign states such as those in Latin American and East Asia under ICSID arbitration was revealed, BITS were seen for what they are – international legal tools capable of extracting state sovereignty through private law means at the detriment of host states.

As tools of the system of private property rights, BITS were no indifferent to intellectual property rights, and BITS and BITS-plus incorporated provisions on intellectual property that offers minimum protection or goes way beyond the obligations contained in the TRIPs Agreement. Thus, by the end of 2018, the amounts of BITS in force were in their thousands, and superBITS such as the *US – Australia FTA*, with substantive intellectual property provisions, became the fashionable choice to entrap weak states in strong intellectual property protection, or, for state to state arbitration among strong capitalist states to intensify, as a result of how important private rights in intellectual property are to the global economic system. Thus superBITS, where the investment on intellectual property rights were legally secured, was more appropriate to label intellectual property as investments.

The lesson to take away from this historical excursion of investment arbitration is that it represents continuity<sup>17</sup> and agreements such as NAFTA and modern BITs crystallises such continuity for the complexities of contemporary international law.

#### 4. The systemic function of international investment arbitration and the occurrence of privatization of public international law: compensation and the protection of private rights

International investment arbitration performs a systemic function in public international law in that it helps to demonstrate the occurrences of privatization, that is, how private property rights are what concerns international law on a greater scale than any other matters. This is even more so the case since the emergence of modern tribunal to remedy questions of international law.

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<sup>17</sup> See James Crawford, 'Continuity and Discontinuity in International Dispute Settlement' in, Christina Binder *et al*, (eds), *Investment Law for the 21<sup>st</sup> Century – Essays in Honour of Christoph Schreuer* (OUP 2000); P. Sean Morris, 'Chorzow Factory – Intellectual Property and the Continuity of International Law in Investor-State Dispute Settlement' *forthcoming*, 10 *Queen Mary IP Journal*\_\_ (2020).

With regards to intellectual property matters in international tribunals, they have long been seen as the object of investment and not necessarily a recent phenomenon. For instance, in *Chorzow Factory (Germany v Poland)*<sup>18</sup> the PCIJ confirmed that (industrial) property were investments that could be expropriated and therefore requires compensation. Specifically, the PCIJ linked the issue of ‘fair compensation’ to intellectual property rights by ‘patents, license and experience gained’.<sup>19</sup> Another instance in which the PCIJ emphasized the importance of intellectual property rights, was by, acknowledging that, although Germany sought a ban on the export of chemicals from the factory in order to protect its ‘industrial property rights’ evidence should have been provided to this effect.<sup>20</sup> There are several interpretative points to Chorzow that I am positing. For instance *Chorzow Factory* highlighted two points: the first – the emergence of the doctrine of compensation for private property rights specifically relating to intellectual property in international law; and secondly – the arbitration of investments involving intellectual property rights and the protection of those rights as such.

Another broader issue is the interpretation of treaties and the obligations states had under treaties such as the 1922 Geneva Convention<sup>21</sup> between Germany and Poland that concerned Upper Silesia. In *Chorzow Factory* the PCIJ linked the protection of private property as obligations of states. This is also reminiscent with contemporary BITs and other investment treaties. Of course, the real significance of the case was that it declared the expropriation of private property by Poland unlawful. My position is that *Chorzow Factory* was perhaps, the founding case law, on how to navigate international law when addressing similar questions in investment treaties.

One relevant question that often goes unnoticed that *Chorzow Factory* raised relates, to the extent, a state can bring legal actions against another state on behalf of private parties as set out in the observations by Judge Nyholm:

In this situation the new question arises, since the creation of the International Court, whether the State has the right to take upon itself or at any rate to bring before the Court on its own initiative the claims of individuals.

As regards this point, it appears that there is no reason for assuming that in international law any change has taken place in the general principles which grant individuals the protection of their property rights. These rights remain always protected, and the putting forward of a particular claim in international proceedings can only be the result of the existence of a tacit or expressed mandate, arising either from a demand or from the consent of the Parties. That such a mandate exists in the present case cannot be doubted. The documents in the present case show that the German State is working in full collaboration with the Companies, who have evidently supplied all information in order that

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<sup>18</sup> *Chorzow Factory (Germany v Poland)* (Merits) 1928 PCIJ (Ser.A) No. 17.

<sup>19</sup> *ibid*, 55.

<sup>20</sup> *ibid*, 58.

<sup>21</sup> *ibid*, 5.

the proceedings may have a favourable issue. From what precedes it results that the claims must be indeed be granted to the German Government in name, but only as mandatory for the Companies. The Court cannot therefore award the money to Germany without further comment and without considering the question whether the German State can in law make free disposition of the amount of the indemnity as owner, and without the legal obligation to pay it to the parties dispossess. The position of the Applicant must be regarded as one of mandatory.<sup>22</sup>

The two important questions that Judge Nyholm raised concerning (1) the participation of non-state actors in international, but, as I argue in the previous chapter, this particular role is one of delegation; and (2) the function of private rights in international law. It is this latter question that I will make further linkage to with the other two main concerns I identified earlier in this section, that is the compensation; and arbitration of intellectual property rights as part of the systemic function of the privatization of public international law.

It is no secret that over generations, the owners of private property rights, have had significant leverage in how states conduct their affairs in international legal relations, especially, if those affairs concerns or affects private rights. For generations, behemoths like the Dutch and British East India Companies were the main driving force behind the expansion of the British and Dutch Empires.

Nowadays, multinational corporations and other epistemic communities have taken over as the primary functionaries behind the participation of states in international economic relations. What lies behind this significant role for multinational corporations and non-state actors is the ownership and importance of private (property) rights and how those rights are protected under the various treaties and international legal instruments providing that private owners “invest” outside of their home states.

If, as *Chorzow Factory* reveals, along with countless other *disputes* over the decades, an illegal action such as expropriation occurs, then, ‘reparation must, as far as possible, wipe out all the consequences of the illegal act and re-establish the situation which would, in all probability, have existed if that act had not been committed’.<sup>23</sup> In other words, the protection of private property rights under international law provides for legal certainty and for the rule of law to prevail regardless the shape, form or place of such private property.

The ownership and control of private property requires a great amount of wealth and investment in order to increase the value of resources and or intellectual creations. Thus, it is widely recognized, that in the

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<sup>22</sup> *ibid*, 96.

<sup>23</sup> *ibid*, 47.

modern sense, it is multinational corporations that have the capacity to engage states in legal obligations through investment treaties that provides for arbitration.<sup>24</sup>

Private rights owners' capacity to create obligations for states in international law joins an ongoing debate on modern corporations and international law<sup>25</sup> and the obligations they have under international law. But, much of that debate does not focus on the rights *per se* that give rise to investment arbitration as a result of expropriated property or ownership of property. Rather, the debate, concerns issues of accountability and whether in the first place, corporations should participate in international law. This approach often misses the larger role, which is the systemic function that the ownership of property rights bestows on private entities such as corporations to leverage in the international legal process.

The epistemic communities such as the Intellectual Property Committee (IPC) and the International Intellectual Property Alliance (IIPA) are vivid examples of how far corporations will go to engage in the international rulemaking process. But, how far will corporations go to participate and defend their private rights in the international arbitration process and thereby promoting a systemic function in the international legal process. From the available evidence, starting with *Chorzow Factory* to modern day cases at the ICSID the definite answer is "very far" in order to safeguard private property rights and the powers that are associated with them.

In *Chorzow Factory* the PCIJ was mindful of the fact that a prohibition 'of the liquidation of the property' of the corporate entities concerned 'would be tantamount to rendering lawful liquidation and unlawful dispossession indistinguishable in so far as their financial results are concerned'.<sup>26</sup> From this quotation, it is evident, that the PCIJ was also concerned about the lawfulness of what its ruling may have on the property of the corporate entities using Germany as a shield for compensation.

But, how much concern do modern arbitral tribunals have, when faced with similar situations, do they, as a matter of point in law, focus specifically on interpreting the BIT, RTA or FTA in question and dismiss other concerns without analysis or, do they, recognize that corporate entities exert not only power

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<sup>24</sup> See also, Cynthia D. Wallace, *The Multinational Enterprise and Legal Control: Host State Sovereignty in an Era of Economic Globalization* (Martinus Nijhoff 2002); Charles Lipson, *Standing Guard: Protecting Foreign Capital in the Nineteenth and Twentieth Centuries* (University of California Press 1985).

<sup>25</sup> Eg Dan Danielsen, 'How Corporations Govern: Taking Corporate Power Seriously in Transnational Regulation and Governance' (2012) 46 Harvard International Law Journal 411.

<sup>26</sup> *Chorzow Factory*, p. 47.

over states, but, that their participation in the judicial process is shifting the foundation of international law that was once the prerogative of states?

In *Eli Lilly Canada*, for instance, the tribunal acknowledges that arguments of the claimant that ‘it is well established in international law that the decision of a court in fact depriving an owner of the use and benefit of his property may amount to an expropriation of such property that it is attributable to the state of that court’.<sup>27</sup> From this acknowledgment one can discern the fundamental shift in the power dynamics of private rights away from States to the broad jurisdictional remit of tribunals. And in a number of prior decisions, tribunals have acknowledged that corporate entities are important players in the international arbitral process, and indeed, to the evolution of modern international law.

Thus, tribunals, by interpreting and formulating breaches to BITS and other investment treaties as affront to international law, have shown that their decision-making in such disputes are integral to the continuity of international law, and that such continuity, also incorporates private rights as protected under both domestic and international law. Hence, the obvious impact of how corporate entities participate in investment arbitration, is that, such participation is, to quote Lauterpacht, ‘both healthy and unavoidable’<sup>28</sup> for the progressive development of international law.

## 5. Reconfiguring epistemic communities for intellectual property investment arbitration: a background theory perspective

So far in the discussions in this different parts of this book, I have identified epistemic communities as private networks, and or, individuals that advocates for private interests in international intellectual property law and also, participate in the rulemaking of international intellectual property law.

There is another crucial question for the purposes of this chapter to be addressed: what is the background of the individuals that make up some of the epistemic communities that participate in international intellectual property investment arbitration? In order to provide some details to this question I will examine the ‘background theory’ that Koskeniemi develops and cross-match it with the private individuals (and judges) that function as an epistemic community in the *Eli Lilly* arbitration.

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<sup>27</sup> *Eli Lilly and Company v The Government of Canada*, ICSID Case No.UNCT/14/2, Award, 16 March 2017, para. 182.

<sup>28</sup> Hersch Lauterpacht, *The Development of International Law by the International Court* (Stevens and Sons 1958) 156.

According to Koskenniemi, the background theory, in its broadest construct, essentially is: ‘a theory which would rationalize existing norms and practices as manifestations of the will of States to pursue some goals and protect certain values’.<sup>29</sup> In essence, Koskenniemi, in demonstrating how the general principles of law of civilized nations is connected to how individuals and judicial experts (judges) apply the law, is, as a result of a constructivist approach, where normative principles that are guided by “thumb-rules” and ‘a set of arguments in the light of which the decision seems coherent with those goals and values’.<sup>30</sup> Relying on Dworkin’s construction of political responsibility, Koskenniemi sets out the parameters of background theory:

This doctrine requires that judicial decisions are tied in the with the continuum constituted by the totality of decision-making activity (including but not limited to decisions by the formal legislator) in the community where the judge exercises her functions. If no rule is automatically applicable, the judge must construe a theory of what this continuum requires, a theory linking all legal activity into a purposeful whole. On the basis of such a theory, the judge can then proceed with the decision even in a hard case. Dworkin is not, of course, saying that each judge should – or could – through painstaking study and research actually formulate such a theory. What he says is, rather, that any judge has, through her education and professional experience internalized a view allowing her to perceive the legal order as a meaningful agent in that order. [...] This internalized view – we may call it the judge’s *background theory* – justifies the totality of the legal order as well as the individual practices appearing therein by construing the legal order as an instrument for the protection of certain values (rights) and the attainment of certain goals (internal citations omitted).<sup>31</sup>

It is precisely these sorts of concerns, that epistemic communities, in international intellectual property investment arbitration, have to engage with: how to demonstrate that the international legal order of intellectual property consist of certain values and private rights, and how the law should be interpreted to achieve those values and (private rights).

Moreover, the participants that make up the epistemic community (non-state interveners) in intellectual property investment arbitration function within a community that is entirely academically orientated. Hence, as private experts, their role is to “internalize” the intellectual property legal order, so that, such internalization is reflected on the actual outcome of intellectual property investment arbitration.

Furthermore, the judges (arbitrators) in intellectual property investment arbitration, are, invariably, academically trained, and their academic background may be anything from qualified PhD holders to senior professors on a full-time basis, or, part-time, with the remaining time, serving as judges in an

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<sup>29</sup> Martti Koskenniemi, ‘General Principles: Reflections on Constructivists Thinking in International Law’ in, Koskenniemi (ed), *Sources of International Law* (Ashgate 2000) 378.

<sup>30</sup> *ibid*, 375.

<sup>31</sup> *ibid*, 375 – 376.

international tribunal. Thus, taking Koskeniemi's background theory at face value, then, there is onus on the entire participants in international intellectual property arbitration to see 'the legal order as an instrument for the protection of certain values (rights) and the attainment of certain goals'. This was clearly evident in the *Eli Lilly* arbitration. The three-member tribunal consisted of: Albert Jan van den Berg as president; Daniel Bethlehem and Gary Born. The president, Albert Jan van den Berg, a Dutch national is a prolific scholar, and has been a law professor and practices law on a full-time basis.<sup>32</sup> Based on the illustrious career of van den Berg, as an academic, and arbitrator, there are certain goals and values that forms part of the political responsibility of the epistemic community of the academic and private arbitration associations that van den Berg represents. The respondent – Canada, appointed Daniel Bethlehem, a UK national as arbitrator. Bethlehem also is a prolific scholar, a former senior legal advisor the British Foreign Ministry, and holds visiting professorship in various universities. Unlike, van den Berg who specialises in the law of arbitration, Bethlehem is well known for his competence in public international law and full-time barrister.<sup>33</sup> Bethlehem's role in *Eli Lilly*, seen, in the context of, the values and certain goals aspect of background theory, was in essence, I posit, to preserve the integrity of international law during the arbitration process in *Eli Lilly v Canada*. The arbitrator that represented the US, – Gary Born – also practices law on a full-time basis and participated in over six hundred arbitrations. Born, although occasionally offer guest lectures and edits a number of volumes on international arbitration – his epistemic community credentials is slightly different from that of van den Berg and Bethlehem, in that, Born represents purely private interests of (corporations).<sup>34</sup> This core hierarchy of the *Eli Lilly* arbitration process, were the "judges", whose political responsibility, based on their background, were to construe and interpret the law (at least impartially). Yet, that core centre of judicial decision making also fall within an epistemic community in a broad sense – as they are actors and participants in representing the private interests of multinationals or networks in which multinationals have a stakehold. Furthermore, they also hold position of influence in the *invisible college* of (international law) – itself an epistemic community of its own.

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<sup>32</sup> Van den Berg earned his law degrees at Rotterdam, Amsterdam, NYU and Aix-en-Provence, and has authored over a hundred articles and books. Moreover, he has been an arbitrator in more than fifty cases. Academically, one of his best-known work is *The New York Arbitration Convention of 1958: Towards a Uniform Judicial Interpretation* (Kluwer 1981).

<sup>33</sup> Bethlehem is well known as a co-editor of *The Oxford Handbook of International Trade Law* (2008).

<sup>34</sup> Academically he has edited works such as *International Arbitration and Forum Selection Agreements: Drafting and Enforcing*, 5<sup>th</sup> edition (Kluwer 2016).



The second core of epistemic community representatives in the Eli Lilly arbitration, I would argue, were the full-time professors of (intellectual property) law – who can justify the existence of the background theory as set out above. Those professors of (intellectual property) law who intervened as “third parties” sought to justify:

the totality of the legal order as well as the individual practices appearing therein by construing the legal order as an instrument for the protection of certain values (rights) and the attainment of certain goals.<sup>35</sup>

They were supported by other umbrella associations that function as epistemic networks to advance the interests of corporations and private (intellectual property) rights in the global arena. This is how the Eli Lilly award of 2017 introduced the epistemic communities:

Nine applications for leave to file an *amicus curiae* submission were submitted on 12 February 2016. The applicants were: (i) a group of academics from the United States, the United Kingdom, Switzerland, South African and Nepal; (ii) the Canadian Chamber of Commerce; (iii) the Canadian Generic Pharmaceutical Association; (iv) the Samuleson-Glushko Canadian Internet Policy and Public Interest Clinic and the Centre for Intellectual Property; (v) Dr. Hennig Grosse Ruse-Khan, Dr. Kathleen Liddell and Dr. Michael Waibel of the University of Cambridge; (vi) Innovative Medicines Canada and BIOTEC Canada; (vii) seven intellectual property law professors from universities in the United States; (viii) the National Association of Manufacturers; and (ix) Pharmaceutical Research and Manufacturers of America, Mexican Association of the Research Based Pharmaceutical Industry, and Biotechnology Innovation Organization.<sup>36</sup>

For the purposes of this discussion, I will group, the academic epistemic communities, based on their submissions, into three: (a) the “Global Mixed Group”; (b) the “Cambridge Group”; and (c) the “Group of Seven”). Another, group, the Canadian Academic Centres is mentioned.

I will not discuss the other epistemic communities, consisting of the non-academic networks of associations, as I have done so already, by pointing to how similar associations, function as epistemic communities in the previous chapter. It is the academic contribution – as epistemic communities – in *Eli Lilly* that I want to focus on. For practical purposes, I will not include in this part of the discussion the submission of expert reports.

Beyond the formal acknowledgment that third parties’ briefs were filed, there is no other acknowledgment (or indications) in the award, to what extent, the role of those briefs played. However, from an examination of the briefs that are publicly available, the overall consensus is that their background internalized how they interpreted the law. That is, the epistemic communities of academics in *Eli Lilly* also sought to justify ‘*the totality of the legal order as well as the individual practices*

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<sup>35</sup> CITE

<sup>36</sup> *Eli Lilly*, Award 2017, para. 44.

*appearing therein by construing the legal order as an instrument for the protection of certain values (rights) and the attainment of certain goals*'. It was evident, from, how they constructed their legal reasoning and described principles of law in constructivist language as 'another manner of speaking'. Moreover, it was evident, that, as guardians of the intellectual property legal order, the academic epistemic community in *Eli Lilly*, ensured that certain values and goals were consistent with established principles of international law, and established values (rights) they represented. These values include *critical legal issues of public concern* or, 'the integrity of the legal systems that secure innovation to its creators and to the companies that commercialize it in the marketplace'.<sup>37</sup> Thus, as an epistemic community, in *Eli Lilly*, one branch, the Group of Seven of US professors, submitted that Canada's "promise utility doctrine" did not, conform to 'global norms regarding patentability requirements and with the function and goals of the patent system'.<sup>38</sup> Thus, for the Group of Seven Intellectual Property Professors, Canada's promise doctrine, runs counter to global liberal trends in harmonizing patent utility standards: 'Canada's departure from global norms with respect to patent utility runs counter to the long historical trend toward increasing harmonization of industrial application/utility standards in a liberal direction', they opined.<sup>39</sup> Similarly, the submission from the Global Academics Group (UK, US, Switzerland, and Nepal) were concerned on flexibilities and other implications in international patent law.<sup>40</sup> Another academic group – whose submission fall under the category of associations (or epistemic networks in the broadest sense) was the collective submission by McGill and Ottawa Universities in Canada.<sup>41</sup> These two Canadian academic centres posited that Canadian patent law was functionally equivalent to comparative patent law in the US and Mexico and proposed that the tribunal adopt a functional and holistic approach:

When subjected to an appropriate, functional comparison, the substantive requirements of Canadian patent law result in similar outcomes to those of its NAFTA trading partners. A functional and holistic analysis of how NATA Members State decide what an invention does – variously called utility, industrial applicability, or promised utility – and the extent to which the specification must support that use, shows internationally consistent outcomes respecting the multidimensional patent bargain: (1) United States patent law enforces promises through the utility branch of enablement rules, (2) Mexican patent law enforces promises through industrial applicability, inventive step

<sup>37</sup> Amicus Curiae submission by Intellectual Property Law Professors, 12 February 2016 ("Seven Intellectual Property Professors"), as quoted from the short form brief.

<sup>38</sup> *ibid*, p. 2.

<sup>39</sup> *ibid*, long form submission, p. 10.

<sup>40</sup> Amicus Submission by Burcu Kilic, Brook Baker, Hu Yuanqiong, Cynthia Ho, Luke McDonagh, Pratyush Upreti and Yaniv Heled, 12 February 2016: 'Key flexibilities in the field of patent law improve access to medicines for hundreds of thousands of people and as a result may raise a variety of complex public and international law questions, including human rights considerations', p. 10.

<sup>41</sup> Amicus Curiae submission Samuelson-Glushko Canadian Internet Policy and Public Interest Clinic, University of Ottawa and Centre for Intellectual Property Policy, McGill University, 12 February 2016.

and sufficiency of description rules and (3) there is no evidence that Canadian patent law outcomes are different from elsewhere.<sup>42</sup>

NAFTA arbitration rules requires that parties in an *amicus curiae* submission have a link to NAFTA established under Article 15 of the UNCITRAL Arbitration Rules and or, the NAFTA Free Trade Commission. As a result, one particular academic submission is of interest – the Cambridge Group.<sup>43</sup> Although, based at Cambridge, with no relevant connection to NAFTA countries – citizenship or otherwise – the Cambridge Group justified their submission based on NAFTA FTC Statement<sup>44</sup> and ‘expertise directly relevant to this arbitration’. Hence, they opined that ‘the arbitration presents novel questions at the intersection of patent and international investment law that are a matter of considerable public interest’.<sup>45</sup> Thus, the concerns, of the Cambridge epistemic community submission, in *Eli Lilly*, was to construe justification of the intellectual property and international legal order, given as they posited, the outcome ‘will affect the development of international law and domestic patent law; and the interrelationship between the two’.<sup>46</sup> Unfortunately, from my reading of the Cambridge Group submission, it had two major faults. First, it was poorly drafted, and secondly, did not address any substantial issue in the arbitration, such as Canada’s promise utility doctrine. Rather, the statements were broad and exalting the *virtues* of the Cambridge Group.

As expected, there were reactions from both the respondent and claimant to the *amicus curiae*. The claimant, for example, opposed the submission by the Cambridge Group, noting that they did not meet the nationality test set out in the FTC statement, and similarly opposed the submission of the Mixed Global Group, where half of its participants, did not meet the nationality test, but accepted the submissions of the Canadian Universities Group and the Group of Seven, as having met the nationality criteria and also, as significant NAFTA Party.<sup>47</sup>

The respondent however made no mention of the academic groups in the statement of opposition, but, in their observation submissions, noted that the ‘US Academics’ position ‘is consistent with reporting in

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<sup>42</sup> *ibid*, para. 38.

<sup>43</sup> Amicus Submission by Dr Henning Grosse Ruse-Khan, Dr. Kathleen Liddel and Dr. Michael Waibel, 12 February 2016 (“Cambridge Group”) short form. No long form, that is, substantive or, elaborative submission was publicly available.

<sup>44</sup> Statement of the Free Trade Commission on Non-Disputing Party Participation (NAFTA Free Trade Commission, 7 October 2003).

<sup>45</sup> Cambridge Group (n 43), para. 3.

<sup>46</sup> *ibid*, para. 13.

<sup>47</sup> Claimant’s Comments on Applications for Leave to File Amicus Submissions, 19 February 2016, pp. 3 – 5.

Europe, the United States and Canada<sup>48</sup> and similarly supported the submissions of the Canadian Universities Group.<sup>49</sup> Interestingly, Canada decided that, it was best not to address the nationality issue from the Mixed Group submissions, by singling out US based academics, but later addressed the Group of Seven submission without any labelling, but rejected their argument on the ‘consistency of global norms’.<sup>50</sup>

In the final award, the tribunal agreed that it was difficult to ignore ‘other relevant and applicable rules of international law, for purposes of assessing the claims before it’.<sup>51</sup> Thus, the *Eli Lilly* arbitration confirms the existence of the background theory, where, the environment and “political responsibility”, that is, the guardianship of international law, including the relevant international legal rules on intellectual property and investment, justify ‘*the totality of the legal order as well as the individual practices appearing therein by construing the legal order as an instrument for the protection of certain values (rights) and the attainment of certain goals*’.<sup>52</sup>

As epistemic communities, the president and arbitrators in *Eli Lilly* represented the content and guarding of international law through teaching, practice and participation and were, in a unique situation, to ensure that the interpretation of international law, does not depart from the general principles of international law.

Furthermore, the more narrow networks of the epistemic community, which is the practicing professors of intellectual property law in the *Eli Lilly* arbitration also demonstrated, that they *have a right* to a constructivist interpretation of the law that is critical to secure the private rights of commercialization compatible with the global legal system. Hence, it was easy for the groups of academic epistemic communities (the president and arbitrators, and the academic professors as interveners) in the *Eli Lilly* arbitration to formulate easy and justifiable defence of their positions as they were representing certain values and equipped with the expertise to deploy the language of the law from a position of responsibility. In other words, the arbitration of intellectual property investment in *Eli Lilly* demonstrated that the two groups of epistemic communities (the president and arbitrators, and the intervening professors) were

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<sup>48</sup> Government of Canada, Observations on Issues Raised in Amicus Submissions, 22 April 2016, para. 6.

<sup>49</sup> *ibid*, paras. 15 – 17.

<sup>50</sup> *ibid*, para. 20.

<sup>51</sup> Final award, para. 102.

<sup>52</sup> Cite

speaking to each other in familiar language, and the outcome, was a matter of *how* to agree on a decision that would justify their respective epistemic community.

#### 6. The dialectical necessity of international private law analogies in the public international law process of intellectual property investment arbitration

There is something cogent about private law – it is authoritative, precise and has a certain fineness that makes it a necessity for society. Naturally, any other area of law could be described in a similar manner, however, not all other branches of law interacts with how society functions on a daily basis that involved contracts, “property”, the ubiquity of commerce, or, the conflicts, that may derive from these activities.

As pointed out in the previous chapter – my reference to private law includes private international law or conflicts of law, however, for the sake of avoiding confusion when discussing public international law, I refer to the elements of private law in this book as “international private law”.

Now, having said that, what could possibly be the motivations for using the word “dialectical”<sup>53</sup> in parts of this chapter that, largely defends the market economy, the private rights of economic entities and the right to commercialisation of intellectual property based on the content of the law? Moreover, given the “negative” connotations that are often associated with the word “dialectical” – that is for instance, a label frequently associated the opposites of the arguments in parts of this chapter such as “Marxism” or criticisms of modern capitalism how does *dialectical* fit into the narrative in this part of the chapter?

It turns out that there is a simple explanation – to disengage the negative effects associated with dialectical in the legal literature and reorients it toward the positive obligations of the law.

Hence, in this part of the chapter, my sole purpose is to demonstrate the dialectical necessity of international private law, its analogies and application in public international law matters especially relating to intellectual property investment arbitration. And as a further disclaimer, this part of the chapter is not a philosophical inquiry, but rather, as demonstrated throughout this book, a systematic legal analysis with evidence demonstrating the occurrence and necessity of international private law in public international law.

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<sup>53</sup> The meaning of dialectical that I embrace in this chapter is the method of expounding facts, hence, I take dialectical to mean, a critical inquiry by discussion as a form of dialectic which itself mean the ‘art of investigating the truth of opinions, testing of truth by discussion, logical disputation,’ see *The Concise Oxford Dictionary of Current English*, 6<sup>th</sup> Edition (Clarendon Press 1976) 284.

One of the most obvious reference point in any legal discussion that makes a reference to “private law analogies” is the canonical work of Hersch Lauterpacht<sup>54</sup> who, in his *magnum opus*, argues that ‘recourse to private law’ often arise because the founders of international law primarily ‘addressed the precepts of the law of nations to individuals’.<sup>55</sup> In other words, according to the claims, by Lauterpacht, the rules of international law are as a result of the existence of private law. For Lauterpacht, a certain “logical level of necessity” exists, because private law analogies, are used to developing doctrines of international law, especially in relation to arbitration. What Lauterpacht work highlights, is the ongoing crisis in international law – how to respond to new international legal developments, and what are the proper legal mechanisms to initiate when there is no legislative body for international law nor effective treaties that addressed certain problems. Thus, for Lauterpacht, the solution is a recourse to private law – that is the domestic laws of the state (which also include what we nowadays call private international law and conflict of laws).

And there is good reason for a recourse to private law. Most states have common elements – whether as legal families such as common or civil law; or, common domains of law and solutions to problems in those domains. Take for example, the domain of intellectual property law, and specifically, the area of patent law: one of the reasons why Canada prevailed in the *Eli Lilly* arbitration, was the existence of common elements for patent utility (industrial application) that was functionally equivalent to patent laws in other states such as Mexico and the United States.

It is, in a similar way, that we must see Lauterpacht’s call for a recourse to private law, if common elements exist in different states and public international law does not address unique problems that may arise. The common legal principles that are found among states’ private laws suggests that even in the absence of international treaties – private law principles form part of ‘the general principles of law recognized by civilized nations’ as the modern founders of international law set out in the statute of the world court as sources of international law.

One area of analogy in private law that Lauterpacht used to develop his arguments is ‘private property and territorially sovereignty’.<sup>56</sup> This linkage of private property to international law is not necessarily

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<sup>54</sup> Hersch Lauterpacht, *Private Law Sources and Analogies of International Law, with Special Reference to International Arbitration* (Longmans, Green and Co., 1927) 80, note 4.

<sup>55</sup> *ibid.*

<sup>56</sup> *ibid.*, 83.

new, as works, prior to Lauterpacht's classic, have addressed similar questions<sup>57</sup> however, for Lauterpacht international law embodies a "higher private law". And certainly, this statement applies to modern day investment arbitration, where international law is personified in the private rights of economic interests, and the epistemic communities that advocates and defends those private rights. For them, international law only represents that higher private law of investment arbitration, even more so, as applicable to intellectual property rights, which, have had the privilege, of being one of the first areas to be covered by international treaties that grew analogously with contemporary international law.

The PCIJ and the ICJ were, depending, on how one interprets some of the case laws from those two tribunals, aware of the nature of higher private law that international law represents for private rights, and have turned to private law elements in settling judicial disputes (advisory opinions). Thus, in cases such as *Chorzow Factory*,<sup>58</sup> *Brazilian and Serbian Loans*,<sup>59</sup> *Oscar Chinn*,<sup>60</sup> *Barcelona Traction*,<sup>61</sup> *Oil Platforms*,<sup>62</sup> the private rights of "property" were the main contentious issue and how to apply international law.

The PCIJ, in *Chorzow Factory* for instance, develops, what is perhaps the gold-standard for (compensation) reparation of lost property due to illegal actions in international law:

The essential principle contained in the actual notion of an illegal act—a principle which seems to be established by international practice and in particular by the decisions of arbitral tribunals—is that reparation must, as far as possible, wipe out all the consequences of the illegal act and re-establish the situation which would, in all probability, have existed if that act had not been committed. Restitution in kind, or, if this is not possible, payment of a sum corresponding to the value which a restitution in kind would bear; the award, if need be, of damages for loss sustained which would not be covered by restitution in kind or payment in place of it – such are the principles which should serve to determine the amount of compensation due for an act contrary to international law.<sup>63</sup>

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<sup>57</sup> Francis Upton, *The Law of Nations affecting Commerce During War: With a Review of the Jurisdiction, Practice and Proceedings of Prize Courts* (New York 1861); Norman Bentwich, *The Law of Private Property in War* (Sweet & Maxwell 1907); see also, H Neufeld, *The International Protection of Private Creditors from the Treaties of Westphalia to the Congress of Vienna (1648 – 1815)* (Sijthoff 1971) offering a historical perspective.

<sup>58</sup> *Chorzow Factory* (Germany v Poland) (Merits) 1928 PCIJ (Ser.A) No. 17.

<sup>59</sup> *Payment in Gold of Brazilian Federal Loans Contracted in France* (France v Brazil) 1929 PCIJ (Ser. A) No. 21 (12 July 1929); *Payment of Various Serbian Loans Issued in France* (France v Yugoslavia) 1929 PCIJ (Ser. A) No. 20 (12 July 1929).

<sup>60</sup> *The Oscar Chinn Case (United Kingdom v Belgium)* PCIJ Rep. Series A/B No. 63, 12 December 1934.

<sup>61</sup> *Barcelona Traction, Light and Power Company Limited*, Judgment, ICJ Rep. 1970, p. 3.

<sup>62</sup> *Oil Platforms* (Islamic Republic of Iran v. US), Judgment, Separate Opinion of Judge Simma (2003), ICJ Rep. 161, 358, noting that issues of domestic private law such as joint and several liability have significance in public international law.

<sup>63</sup> *Chorzow Factory* (Merits) p. 47.

This *default* position that *Chorzow Factory* established in international law, in my view, essentially lead to the PCIJ as an “investment court” as, some of the notable cases it later confronted, were of an investment and economic nature.<sup>64</sup>

For example, in *Oscar Chin* the issue of reparation (compensation) for private property rights were evaluated in a Lauterpachtian tradition, as the PCIJ established, that there was a breach of international law in particular to ‘vested rights’<sup>65</sup> due to the legality of regulatory interference in trade protected by international treaties.<sup>66</sup> In *Lighthouses*, the PCIJ also acknowledged that although ‘a contract granting a public utility concession does not fall within the category of ordinary instruments of private law’ but there was nothing preventing the use of contracts to grant such concessions.<sup>67</sup>

The noteworthy point in here, is how ‘special agreements’ between states reorients to issues of international private law when such special agreements can be seen as instruments under public international law. Of course, the central question that cases such as *Oscar Chinn*, *Lighthouse* and others<sup>68</sup> raised was whether contracts, that sets out investments in the territories of host states, were, as a matter of course, to be settled by private dispute settlement systems, or, should they be raised in international tribunals such as the ICJ where questions of international law and or public governance can be addressed.<sup>69</sup> For the most part, the PCIJ’s route was more plausible in the early disputes due to the number of inter-state treaties that forms part of international law. But, the ICJ have also touched upon similar issues of such as in *Barcelona Traction* where the issue of ‘private-public’ rights and governance serves the essence of international private law and hence private rights in property, as claimed in the book.

But, as the evidence in the above cases reveals, it has long been a tradition in international tribunals to uphold the general principles of (private rights) in international law so that states are accountable and

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<sup>64</sup> *Payment in Gold of Brazilian Federal Loans Contracted in France (France v Brazil)* 1929 PCIJ (Ser. A) No. 21 (12 July 1929); *Payment of Various Serbian Loans Issued in France (France v Yugoslavia)* 1929 PCIJ (Ser. A) No. 20 (12 July 1929).

<sup>65</sup> *Oscar Chinn*, p. 87.

<sup>66</sup> See Christian Tams, ‘Oscar Chinn Case’ in, *Max Planck Encyclopaedia of Public International Law*.

<sup>67</sup> *Lighthouse Case (France v Greece)* PCIJ 17<sup>th</sup> March 1934, p. 20

<sup>68</sup> Eg, *Case of the Free Zones of Upper Savoy and the District of Gex*, PCIJ 7<sup>th</sup> June 1932; *Legal Status of Eastern Greenland*, PCIJ, 5<sup>th</sup> April 1933; Appeal from a Judgement of the *Hungaro-Czechoslovakia Mixed Arbitral Tribunal*, PCIJ 5<sup>th</sup> April 1933; *Phosphates in Morocco (Preliminary Objections)*, PCIJ 14<sup>th</sup> June 1938.

<sup>69</sup> See also, Francis Nicholson, ‘The Protection of Foreign Property under Customary International Law’ (1965) 6 Boston College Industrial and Commercial Law Review 391; Richard Epstein, ‘The Natural Law Bridge between Private Law and Public International Law’ (2012) 13 Chicago Journal of International Law 47; Julie Maupin, ‘Public and Private in International Investment Law: An Integrated Systems Approach’ (2015) 54 Virginia Journal of International Law 467; Jose Alvarez, ‘Is Investor State Arbitration ‘Public?’ (2016) 7 Journal of International Dispute Settlement 534.



respect their obligations to protect private property. Nowadays, this tradition is also evident in investor-state dispute settlements where international law is invoked to protect private property. Moreover, there is also a parallel phenomenon that the practice of international tribunals is similar to domestic courts where they often develop compensatory principles to remedy claims by private rights. These developments echoes Lauterpacht's private law analogies, and as such, the respect for private property rights under domestic and public international law reflects a logical necessity of society and how individuals (including corporate entities) are essential to how society and (the courts) construe the notion of investment as a result of economic activities in private property.

As, has been seen, the existence of international private law forms part of the logical necessity of international law and the obligations states have to protect private rights. Given that the majority of contemporary international legal relations are conducted through treaties that are of an economic nature (with contractual clauses relating to international private law) for example in the area of international investment, a pertinent question is whether breaches of those treaties by a host-state immediately invoke public international law or international private law.

The evidence suggests that such breaches are of a public international law nature, however, another relevant question arise, and perhaps, the most important, is whether certain treaty provisions (or the entire treaty) are best addressed by a recourse to international private law?

Under normal circumstances, this would be the better option, however, due to the treaty obligations of the states involve – recourse to public international law to settle contractual agreements between states and private investors often ends up in investor-state dispute settlements arbitration. As a result of the proliferation of ISDS in contemporary international law, tribunals are often faced with questions relating to international private law, such as the definition of investment, and whether, international private law matters such as intellectual property rights can be defined as investments.

In a few notable cases before ICSID tribunals, claimants and respondents have raised or sought to raise the profile of intellectual property investments in international law and argue whether states were in breach of those intellectual property obligations under international law. For instances, in patent cases such as *Eli Lilly*,<sup>70</sup> the trademark case of *Bridgestone*,<sup>71</sup> amongst others, the claimants sought to

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<sup>70</sup> *Eli Lilly and Company v The Government of Canada*, ICSID Case No. UNCT/14/2, Award, 16 March 2017.

<sup>71</sup> *Bridgestone Licensing Services, Inc. and Bridgestone Americas, Inc. v. Republic of Panama*, ICSID Case No. ARB/16/34 (ongoing in 2019) with the latest chapter being Procedural Order No. 7 on Document Production, 15 January 2019.

determine the scope of the jurisdiction of the ICSID and the determination of “intellectual property investment” under international law.

But the protection of intellectual property under international law goes beyond the investment arbitration claims and one must factor in different developments when pursuing such an argument. For instance, it is necessary to take into consideration the evolution of intellectual property treaties starting with the Paris and Berne Conventions, the TRIPs and more recently BITs and FTAs with significant intellectual property provisions. Another point to consider is the extent ICSID jurisdiction fit the narrative of “treaty obligations” or “obligations under customary international law” for the purposes of determining intellectual property investments, and finally, what are the challenging questions for the protection of intellectual property under public international law and to what extent international private law shapes the privatization narrative that I developed in this book. To answer some these questions, the next chapter takes up the question of fair and equitable treatment and the concept of investment from an intellectual property rights perspective, and how some of the interactions and occurrences of the international private law of intellectual property rights in public international law.

## 7. Chapter conclusion

This chapter presented an analytical framework in how to view the realization of ordolegal needs of epistemic communities. To do that, I advanced two arguments in the chapter: the first was that I contend that the international private law rules of intellectual property supported a systemic function of international arbitration concerning investments (section 2) and that, those international private law rules on intellectual property, were consistent with a linear and nonconflicting pattern of the interpretation of international law (section 4). Prior to, and after those discussions in the chapter, I established background evidentiary discussion on the evolution of international investment law and arbitration in particular as it relates to intellectual property, and also an analysis of the arguments in the chapter.

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